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March 13, 2006

VIA Electronic Mail and Hand Delivery

Board of Directors, Dirigo Health Agency
Attn: Lynn Theberge
Dirigo Health Agency
53 State House Station
Augusta, Maine 04333-0053

In Re: Determination of Aggregate Measurable Cost Savings
For The Second Assessment Year (2007)

FILING COVERSHEET

Dear Ms. Theberge:

Enclosed for filing please find the following:

SUBMITTED BY: Christopher T. Roach
DATE: March 13, 2006
DOCUMENT TITLE: Anthem Health Plans of Maine, Inc.'s Designation of Alternative Methodology
DOCUMENT TYPE: Designation
CONFIDENTIAL: **NO**

Thank you for your assistance in this matter.

Very truly yours,


Christopher T. Roach

cc: William Laubenstein, Esquire
William Stiles, Esquire
Bruce Gerrity, Esquire
D. Michael Frink, Esquire
Joseph P. Ditre, Esquire
Kelly Turner, Esquire
James Smith, Esquire

STATE OF MAINE
DIRIGO HEALTH AGENCY

IN RE:)	
)	
DETERMINATION OF AGGREGATE)	ANTHEM HEALTH PLANS
MEASURABLE COST SAVINGS FOR)	OF MAINE, INC.'S
THE SECOND ASSESSMENT YEAR)	DESIGNATION OF
(2007))	ALTERNATIVE
)	METHODOLOGY
)	
)	

Pursuant to the Board of Directors of the Dirigo Health Agency's ("DHA Board") Procedural Order No. 3 dated February 22, 2006 ("Procedural Order"), Anthem Health Plans of Maine, Inc. d/b/a/ Anthem Blues Cross and Blue Shield ("Anthem BCBS") files this initial designation of the alternative methodology it may present in this proceeding.

The Procedural Order purports to require each party "intending to propose a methodology to determine aggregate measurable cost savings" in this proceeding to file with the DHA Board, by 5:00 PM March 13, 2006, "a detailed description of [that] methodology . . . including the components to be included in aggregate measurable cost savings . . . and credible, reliable, and accurate data that supports the amount of aggregate measurable cost savings derived from that methodology." *See* Procedural Order No. 3, ¶3(e). Anthem BCBS maintains its objection that requiring the intervenors to designate witnesses, provide summaries of witness testimony, produce documents, designate experts, and describe their alternative methodologies to determine aggregate measurable cost savings prior to the DHA producing a single document, much less presenting its proposed methodology, does not comport with the fair process requirements for an adjudicatory hearing conducted in accordance with the Maine Administrative Procedures Act.

Any alternative methodology presented by Anthem BCBS in this hearing will depend largely on the methodology proposed by the DHA for the second assessment year and the documents and information requested for production by the intervenors in their respective Freedom of Access Act (“FOAA”) requests to DHA, none of which is available as of the date of this submission. As such, Anthem BCBS’s alternative methodology as identified in this designation is subject to change.

By suggesting that it may present an alternative methodology, Anthem BCBS does not opine on whether the types of savings calculated by the proposed alternative would be within the cost savings allowed by the Dirigo Act. That question is currently on appeal and, depending on the outcome of that appeal, the calculation of aggregate measurable savings as a result of the operation of Dirigo Health could be significantly different than that approved by the Superintendent in the last proceeding. With that understanding, Anthem BCBS is considering a potential alternative methodology that, in its view, improves upon last year’s methodology.

Subject to and without waiving those objections, Anthem BCBS provides the following description of a potential alternative methodology that it may propose in this proceeding.

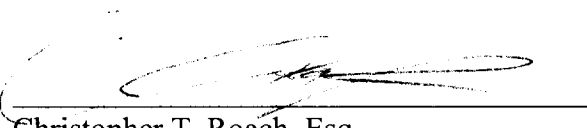
Assuming the methodology proposed by DHA in this proceeding will be consistent with the methodology the DHA Board proposed last year, Anthem BCBS may present an alternative methodology that will more accurately account for natural fluctuations in hospital expenses, eliminate the ability to manipulate calculations to achieve artificial “savings”, provide a mechanism for verification of the cause of certain calculated savings and, hence, more accurately reflect the cost savings as a result of the operation of Dirigo Health than the methodology previously proposed by the DHA Board. More specifically, Anthem BCBS is considering an alternative methodology that would make three central modifications to the methodology

ultimately approved by the Superintendent in last year's proceeding: (1) rather than netting, establish a corridor of expected cost growth that accounts for the naturally occurring cost fluctuations for each hospital; (2) to reduce the ability to manipulate results, freeze the ratio of outpatient charges per visit to inpatient charges per discharge at the latest pre-Dirigo level until a better measure of the quantity and complexity of outpatient services can be developed; and (3) move to a charge-based, rather than cost-based, methodology in recognition of the fact that the private sector pays for hospital care primarily on the basis of charges rather than on the basis of expenses.

In determining baseline expected cost growth, Anthem BCBS would use the cost data relied upon by the DHA Board in the prior proceeding. The additional data that would be needed to develop the alternative methodology has been identified in the FOAA data request filed by Anthem BCBS with DHA on February 28, 2006. If a corridor-type Charge per CMAD test were to be adopted, the information should be readily obtainable by DHA and the calculations would be very similar to those performed in the Expense per CMAD test.

Because the additional data necessary to develop the alternative methodology has not yet been produced by DHA or the DHA Board, Anthem BCBS cannot present the "credible, reliable, and accurate data" that supports the amount of aggregate measurable cost savings derived from any alternative methodology it may present.

DATED: March 13, 2006



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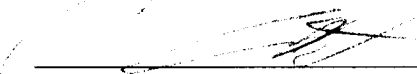
(207) 791-1100
Attorney for Applicant
Anthem Health Plans of Maine, Inc.

Certificate of Service

I, Christopher T. Roach, Esq. certify that the foregoing Description of Alternative Methodology was served this day upon the following parties via U.S. and Electronic Mail.

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Dated: March 13, 2006



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